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# HOUSE BILL No. 1836

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## DIGEST OF INTRODUCED BILL

**Citations Affected:** IC 22-4.1-7; IC 6-3.1-22; IC 6-3-3-10.

**Synopsis:** Internship program and tax credit. Allows an institution of higher learning to apply to the department of workforce development for certification for an internship program operated or administered by the institution. Requires the department, in conjunction with the department of education, to certify an internship program if the program meets certain requirements. Provides a refundable credit against the state tax liability of an employer of 100 or fewer employees for 25% of the payroll expenditures made by the employer during a taxable year to a student participating in a certified internship program. Provides that the total amount of all tax credits approved for such payroll expenditures may not exceed \$300,000 in a state fiscal year. Repeals a provision giving a state tax liability credit to employers for increased employment expenditures or the employment of qualified employees in enterprise zones.

**Effective:** Upon passage; January 1, 2001 (retroactive); July 1, 2001.

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January 17, 2001, read first time and referred to Committee on Ways and Means.

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First Regular Session 112th General Assembly (2001)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2000 General Assembly.

## HOUSE BILL No. 1836

A BILL FOR AN ACT to amend the Indiana Code concerning taxation.

*Be it enacted by the General Assembly of the State of Indiana:*

1 SECTION 1. IC 22-4.1-7 IS ADDED TO THE INDIANA CODE  
2 AS A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE  
3 UPON PASSAGE]:

4 **Chapter 7. Certified Internship Programs**

5 **Sec. 1. As used in this chapter, "certified internship program"**  
6 **refers to an internship program that is certified by the department,**  
7 **in conjunction with the department of education, under section 5**  
8 **of this chapter.**

9 **Sec. 2. As used in this chapter, "employer" has the meaning set**  
10 **forth in IC 22-8-1.1-1.**

11 **Sec. 3. As used in this chapter, "institution of higher learning"**  
12 **has the meaning set forth in IC 20-12-70-4.**

13 **Sec. 4. As used in this chapter, "student" means an individual**  
14 **who is enrolled at an institution of higher learning on at least a**  
15 **part-time basis.**

16 **Sec. 5. (a) An institution of higher learning that seeks**  
17 **certification for an internship program under this chapter shall**



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submit an application for certification to the department on a form prescribed by the department.

(b) The department, in conjunction with the department of education, shall certify an internship program under this chapter if the program:

(1) is operated or administered by an institution of higher learning or a department, school, or program within an institution of higher learning;

(2) integrates a particular curriculum or course of study offered at the institution of higher learning with career internships provided by employers;

(3) places students in career internships provided by employers;

(4) requires participating students to meet certain academic standards established by rule by the department in consultation with the department of education;

(5) requires employers to provide to participating students the:

(A) supervision; and

(B) payroll and personnel services;

that the employers provide to their regular part-time employees, if any;

(6) is designed to provide an internship experience that enriches and enhances the classroom experience of participating students;

(7) requires employers to comply with all state and federal laws pertaining to the workplace; and

(8) complies with any other requirement adopted by rule by the department after consultation with the department of education.

Sec. 6. A certified internship program may allow a student to participate in an internship at any time during the year, including the summer, as long as the student remains enrolled at the institution of higher learning that operates or administers the certified internship program.

Sec. 7. The department, in consultation with the department of education, shall adopt rules under IC 4-22-2 to implement this chapter.

SECTION 2. IC 6-3.1-22 IS ADDED TO THE INDIANA CODE AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2001 (RETROACTIVE)]:

**Chapter 22. Certified Internship Program Payroll Credit**



1       Sec. 1. As used in this chapter, "certified internship program"  
2 has the meaning set forth in IC 22-4.1-7-1.

3       Sec. 2. As used in this chapter, "employer" means any  
4 individual or type of organization, including the state and all its  
5 political subdivisions, that has in its employ at least one (1)  
6 individual and not more than one hundred (100) individuals, not  
7 including any students employed through a certified internship  
8 program under IC 22-4.1-7.

9       Sec. 3. As used in this chapter, "pass through entity" means:

- 10       (1) a corporation that is exempt from the adjusted gross
- 11       income tax under IC 6-3-2-2.8(2);
- 12       (2) a partnership;
- 13       (3) a limited liability company; or
- 14       (4) a limited liability partnership.

15       Sec. 4. As used in this chapter, "payroll expenditures" means  
16 the wages actually paid by an employer to a student participating  
17 in a certified internship program under IC 22-4.1-7.

18       Sec. 5. As used in this chapter, "state tax liability" means a  
19 taxpayer's total tax liability that is incurred under:

- 20       (1) IC 6-2.1 (gross income tax);
- 21       (2) IC 6-3-1 through IC 6-3-7 (adjusted gross income tax);
- 22       (3) IC 6-3-8 (supplemental net income tax);
- 23       (4) IC 6-5-10 (bank tax);
- 24       (5) IC 6-5-11 (savings and loan association tax);
- 25       (6) IC 6-5.5 (financial institutions tax); and
- 26       (7) IC 27-1-18-2 (insurance premiums tax);

27 as computed after the application of the credits that under  
28 IC 6-3.1-1-2 are to be applied before the credit provided by this  
29 chapter.

30       Sec. 6. As used in this chapter, "student" has the meaning set  
31 forth in IC 22-4.1-7-4.

32       Sec. 7. As used in this chapter, "taxpayer" means an employer  
33 that employs one (1) or more students through a certified  
34 internship program under IC 22-4.1-7.

35       Sec. 8. (a) A taxpayer is entitled to a credit against the  
36 taxpayer's state tax liability for the payroll expenditures by the  
37 taxpayer in the taxable year. To be eligible for the credit provided  
38 by this section, a taxpayer's payroll expenditures must have been  
39 made to a student participating in an internship program that was  
40 certified under IC 22-4.1-7 not later than December 31 of the year  
41 immediately preceding the taxable year for which the taxpayer  
42 claims the credit.

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(b) Subject to the limitations under section 12 of this chapter, the amount of the credit is equal to the taxpayer's payroll expenditures in the taxable year for a participant multiplied by twenty-five percent (25%).

Sec. 9. (a) If the amount determined under section 8(b) of this chapter for a taxpayer in a taxable year exceeds the taxpayer's state tax liability for that taxable year, the taxpayer may carry the excess over to the following taxable years. The amount of the credit carryover from a taxable year shall be reduced to the extent that the carryover is used by the taxpayer to obtain a credit under this chapter for any subsequent taxable year. A taxpayer is not entitled to a carryback.

(b) A taxpayer is entitled to a refund of any unused credit.

Sec. 10. If a pass through entity does not have state income tax liability against which the tax credit may be applied, a shareholder or partner of the pass through entity is entitled to a tax credit equal to:

(1) the tax credit determined for the pass through entity for the taxable year; multiplied by

(2) the percentage of the pass through entity's distributive income to which the shareholder or partner is entitled.

Sec. 11. To receive the credit provided by this chapter, a taxpayer must claim the credit on the taxpayer's state tax return in the manner prescribed by the department. The taxpayer must submit to the department proof of payment of the payroll expenditures and all information that the department determines is necessary for the calculation of the credit provided by this chapter.

Sec. 12. (a) The department shall record the time of filing of each application for allowance of a credit under section 11 of this chapter and shall approve the applications, if they otherwise qualify for a tax credit under this chapter, in the chronological order in which the applications are filed in the state fiscal year.

(b) When the total credits approved under this section equal the maximum amount allowable in a state fiscal year under subsection (c), no application filed later for that same fiscal year shall be approved. However, if an applicant for whom a credit has been approved fails to file the statement of proof of payment required under section 11 of this chapter, an amount equal to the credit previously allowed or set aside for the applicant may be allowed to any subsequent applicant in the year. In addition, the department may, if the applicant requests, approve a credit application, in



whole or in part, with respect to the next succeeding state fiscal year.

(c) The amount of tax credits approved under this chapter may not exceed three hundred thousand dollars (\$300,000) in a state fiscal year.

SECTION 3. IC 6-3-3-10 IS REPEALED [EFFECTIVE JULY 1, 2001].

SECTION 4. [EFFECTIVE JANUARY 1, 2001 (RETROACTIVE)]  
The credit against a taxpayer's state tax liability provided under IC 6-3.1-22, as added by this act, applies to taxable years beginning after December 31, 2000.

SECTION 5. [EFFECTIVE UPON PASSAGE] (a) As used in this SECTION, "department" refers to the department of workforce development.

(b) Notwithstanding IC 22-4.1-7-7, as added by this act, the department, in consultation with the department of education, shall adopt emergency rules to implement IC 22-4.1-7, as added by this act, in the same manner as emergency rules are adopted under IC 4-22-2-37.1. These rules must be adopted not later than September 1, 2001. A rule adopted under this SECTION expires on the date the rule is adopted by the department, in consultation with the department of education, under IC 4-22-2-24 through IC 4-22-2-36 to implement IC 22-4.1-7, as added by this act.

(c) Notwithstanding IC 6-3.1-22-8(a), as added by this act, to be eligible for the credit provided by IC 6-3.1-22-8(a), as added by this act, during a taxable year beginning before January 1, 2002, a taxpayer's payroll expenditures must have been made to a student participating in an internship program that was certified under IC 22-4.1-7, as added by this act, not later than December 31, 2001.

(d) This SECTION expires January 1, 2003.

SECTION 6. [EFFECTIVE JULY 1, 2001] (a) Notwithstanding the repeal of IC 6-3-3-10 by this act, a taxpayer is entitled to the credit available under IC 6-3-3-10, before its repeal by this act, for a taxable year that begins before July 1, 2001, but has not ended before July 1, 2001. The amount of the credit that a taxpayer may claim under this SECTION is equal to:

(1) the amount of the credit that the taxpayer would have been entitled to under IC 6-3-3-10, before its repeal by this act, for the taxable year that begins before July 1, 2001, but has not ended before July 1, 2001; multiplied by

(2) a fraction, the numerator of which is the part of the credit calculated under subdivision (1) that is attributable to the

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1           part of the taxable year that occurs before July 1, 2001, and  
2           the denominator of which is the amount calculated under  
3           subdivision (1).  
4           **(b) This SECTION expires January 1, 2003.**  
5           **SECTION 7. An emergency is declared for this act.**

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